

**IOWA RIVER VALLEY  
EARLY CHILDHOOD AREA**

**Independent Auditors' Reports  
Basic Financial Statements and  
Supplementary Information  
Schedule of Findings**

**June 30, 2015**

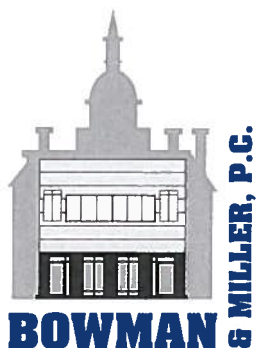
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# Iowa River Valley Early Childhood Area

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Betsy Macke	Co-Chairperson	June 30, 2015
Scott Bahr	Co-Chairperson	January 21, 2017
Michael Hackbarth	Member	June 30, 2015
Bettie Bolar	Member	June 30, 2015
Lisa Formo	Member	June 30, 2015
Karen Clover	Member	June 30, 2015
Holly Barnhart	Member	June 30, 2015
Lisa Naig	Member	September 10, 2016
Emily Schuneman	Member	November 19, 2016
JoAnn Griep-Adams	Member	November 19, 2016
Pat Thompson	Member	January 21, 2017
Barb Winkels	Member	January 21, 2017
Bill Patten	Member	June 30, 2018
Carrie Kube	Executive Director	Indefinite



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Members of the Iowa River Valley Early  
Childhood Area Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa River Valley Early Childhood Area as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Area's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Area's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Area's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Iowa River Valley Early Childhood Area as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 5 to the financial statements, Iowa River Valley Early Childhood Area adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U. S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Area's Proportionate Share of the Net Pension Liability and the Schedule of Area Contributions information on pages 4 through 6 and pages 24 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2015 on our consideration of Iowa River Valley Early Childhood Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Iowa River Valley Early Childhood Area's internal control over financial reporting and compliance.

*Bowman and Miller, P.C.*

October 19, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Iowa River Valley Early Childhood Area provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Area's financial statements, which follow.

## 2015 FINANCIAL HIGHLIGHTS

- Revenues of the Area decreased 0.9%, or approximately \$5,600, from fiscal year 2014 to fiscal year 2015.
- Expenses decreased 3.4%, or approximately \$21,800, from fiscal year 2014 to fiscal year 2015.
- The Area's net position remained virtually unchanged, from June 30, 2014 to June 30, 2015.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Area's financial activities.

Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Area as a whole and present an overall view of the Area's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Area's operations in more detail than the entity-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Area's proportionate share of the net pension liability and related contributions.

## REPORTING THE AREA'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the Area's finances is, "Is the Area as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resource measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid.

The Statement of Net Position presents the financial information on all of the Area's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the Area's net position may serve as a useful indicator of whether the financial position of the Area is improving or deteriorating.

The Statement of Activities presents information showing how the Area's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

#### *Fund Financial Statements*

Governmental funds account for the Area's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) Early Childhood Fund and 2) School Ready Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the Area's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Area's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Reconciliations between the government-wide financial statements and the governmental financial statements follow the governmental fund financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Area's net position remained virtually unchanged from a year ago, decreasing from \$40,384 at June 30, 2014 to \$40,379 at June 30, 2015. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2015	2014 (not restated)
Current assets	\$ 89,582	86,562
Deferred outflows of resources	21,894	-
Long-term liabilities	14,756	-
Other liabilities	50,714	48,352
Total liabilities	65,470	48,352
Deferred inflows of resources	5,627	-
Restricted net position	\$ 40,379	38,210

The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The beginning net position for governmental activities was restated \$2,174 to retroactively report the deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in Net Position of Governmental Activities		
	June 30,	
	2015	2014 (not restated)
Program revenues:		
Operating grants, contributions, and restricted interest	\$ 617,593	623,182
Program expenses:		
Early childhood	142,614	125,527
Family support and parent education	267,143	265,570
Preschool support for low income families	109,542	116,652
Quality improvement	51,127	54,990
Other program services	24,957	54,154
Administration	22,215	22,529
Total expenses	617,598	639,422
Change in net position	(5)	(16,240)
Net position beginning of year, as restated	40,384	54,450
Net position end of year	\$ 40,379	38,210

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

- The Special Revenue, Early Childhood Fund cash balance decreased \$11,348 from the prior year to a year-end balance of \$3,554 primarily due to an increase in expenditures for program services.
- The Special Revenue, School Ready Fund cash balance increased \$12,006 from the prior year to a year-end balance of \$35,314, primarily due to a decrease in expenditures for preschool support and other programs.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to State budget cuts, funding will decrease for fiscal year 2016 for the Iowa Valley Early Childhood Area. The fiscal year 2016 grant funding for Early Childhood and School Ready will total \$123,306 and \$472,069, respectively, for a total of \$595,375, which is a decrease of \$21,685 from fiscal year 2015.

#### CONTACTING THE AREA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Area's finances and to show the Area's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Carrie Kube, Executive Director, 524 Lawler, Iowa Falls, Iowa, 50126.



**Iowa River Valley Early Childhood Area**  
**Statement of Net Position**  
**June 30, 2015**

Exhibit A

**Assets**

Cash	\$ 89,582
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**Deferred Outflows of Resources**

Pension related deferred outflows	21,894
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**Liabilities**

Accounts payable	50,714
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Long-term liabilities:

Net pension liability	14,756
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<b>Total liabilities</b>	<b>65,470</b>
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**Deferred Inflows of Resources**

Unavailable revenue:

Pension related deferred inflows	5,627
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**Net Position**

Restricted for grant purposes	\$ 40,379
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Iowa River Valley Early Childhood Area  
Statement of Activities  
Year Ended June 30, 2015

	Expenses	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>		
Governmental activities:		
Early childhood	\$ 142,614	131,478
Family support and parent education	267,143	267,523
Preschool support for low income families	109,542	117,295
Quality improvement	51,127	51,127
Other program services	24,957	28,910
Administration	22,215	21,260
<b>Total</b>	<b>\$ 617,598</b>	<b>617,593</b>

Net position beginning of year, as restated

Net position end of year

<hr/>	
Net (Expense)	
Revenue and Changes	
in Net Position	
<hr/>	
	(11,136)
	380
	7,753
	-
	3,953
	(955)
	<hr/>
	(5)
	40,384
	<hr/>
\$	40,379
	<hr/>

Iowa River Valley Early Childhood Area  
Balance Sheet  
Governmental Funds  
June 30, 2015

		Special Revenue		
		Early	School	
		Childhood	Ready	Total
<b>Assets</b>				
Cash		\$ 16,778	72,804	89,582
<b>Total assets</b>		<b>\$ 16,778</b>	<b>72,804</b>	<b>89,582</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable		\$ 13,225	37,489	50,714
Fund balances:				
Restricted for grant purposes		3,553	35,315	38,868
<b>Total liabilities and fund balances</b>		<b>\$ 16,778</b>	<b>72,804</b>	<b>89,582</b>

Iowa River Valley Early Childhood Area  
Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position  
June 30, 2015

Exhibit D

<b>Total governmental fund balances (page 10)</b>	<b>\$ 38,868</b>
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*Amounts reported for governmental activities in the  
Statement of Net Position are different because:*

Pension related deferred outflows of resources and deferred  
inflows of resources are not due and payable in the current year  
and, therefore, are not reported in the governmental funds,  
as follows:

Deferred outflows of resources	\$ 21,894	
Deferred inflows of resources	<u>(5,627)</u>	16,267

Net pension liability is not due and payable in the current year  
and, therefore, is not reported in the governmental funds.

(14,756)

<b>Net position of governmental activities (page 7)</b>	<b><u><u>\$ 40,379</u></u></b>
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Iowa River Valley Early Childhood Area  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2015

	Special Revenue		
	Early Childhood	School Ready	Total
Revenues:			
State of Iowa grants:			
Early childhood	\$ 130,913	-	130,913
Family support and parent education	-	267,143	267,143
Preschool support for low income families	-	117,295	117,295
Quality improvement	-	51,127	51,127
Other program services	-	28,910	28,910
Allocation for administration	7,324	14,348	21,672
Total State of Iowa grants	138,237	478,823	617,060
Interest on investments	153	380	533
Total revenues	138,390	479,203	617,593
Expenditures:			
Program services:			
Early childhood	142,614	-	142,614
Family support and parent education	-	267,143	267,143
Preschool support for low income families	-	109,542	109,542
Quality improvement	-	51,127	51,127
Other program services	-	24,957	24,957
Administration	7,124	14,428	21,552
Total expenditures	149,738	467,197	616,935
Change in fund balances	(11,348)	12,006	658
Fund balances beginning of year	14,902	23,308	38,210
Fund balances end of year	\$ 3,554	35,314	38,868

Iowa River Valley Early Childhood Area  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2015

Exhibit F

<b>Change in fund balances - Total governmental funds (page 12)</b>	<b>\$ 658</b>
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*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

The current year Area employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.

4,348

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Pension expense

(5,011)

<b>Change in net position of governmental activities (page 9)</b>	<b>\$ <u>(5)</u></b>
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# Iowa River Valley Early Childhood Area

## Notes to Financial Statements

### June 30, 2015

#### (1) Summary of Significant Accounting Policies

The Iowa River Valley Early Childhood Area (Area) is established under Chapter 256I of the Code of Iowa. The goal of the Area is to improve the well-being and quality of life for young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. The Area is funded by allocations of state block grants.

An autonomous Board with a minimum of nine citizens from Marshall and Hardin Counties governs the Iowa River Valley Early Childhood Area. The Iowa River Valley Early Childhood Area Board is comprised of an elected official from one of the participating counties and one representative each from early care, education, health, human services, business and faith interest and a parent of young children.

The Area designated Hardin County Agricultural Extension as fiscal agent to administer the grant funds as permitted by Chapter 256I.8(1a) of the Code of Iowa.

The Area's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Area are intended to present the financial position and the changes in financial position of only that portion of the fiscal agent's financial activity attributable to the transactions of the Early Childhood and School Ready grants, which are reported in separate Special Revenue Funds.

#### A. Reporting Entity

For financial reporting purposes, the Area has included all funds, organizations, agencies, boards, commissions and authorities. The Area has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Area are such that exclusion would cause the Area's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Area to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Area. The Area has no component units which meet the Governmental Accounting Standards Board Criteria.

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Area.

The Statement of Net Position presents the Area's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following category:



**Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2015**

**(1) Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Area reports the following major governmental funds:

**Special Revenue:**

The Early Childhood Fund is used to account for funds allocated from the Iowa Department of Human Services to enhance the capacity and quality of child care services to help parents obtain or retain employment.

The School Ready Fund is used to account for funds allocated from the Iowa Department of Education to support a comprehensive school ready children plan designed by the Area Board.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Area considers revenues to be available if they are collected within 60 days after year end.

**Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2015**

**(1) Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Area.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Deferred Outflows of Resources, Deferred Inflows of Resources and Fund Equity**

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2015**

**(1) Summary of Significant Accounting Policies (continued)**

**E. Fund Equity**

In the governmental fund financial statements, fund balances are classified as restricted. This amount is restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

**(2) Cash**

The Area's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance.

**(3) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the Area, except those covered by another retirement system. Employees of the Area are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2015

**(3) Pension Plan (continued)**

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Area contributed 8.93 percent for a total rate of 14.88 percent.

The Area's total contributions to IPERS for the year ended June 30, 2015 were \$4,348.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Area reported a liability of \$14,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Area's proportion of the net pension liability was based on the Area's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Area's collective proportion was .0003721 percent. Since the Area had no employees at the June 30, 2013 measurement date this was an increase of .0003721 percent from its proportion measured as of June 30, 2013.

**Iowa River Valley Early Childhood Area**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**(3) Pension Plan (continued)**

For the year ended June 30, 2015, the Area recognized pension expense of \$5,011. At June 30, 2015 the Area reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 160	-
Changes of assumptions	651	-
Net difference between projected and actual earnings on pension plan investments	-	5,627
Changes in proportion and differences between Area contributions and proportionate share of contributions	16,735	-
Area contributions subsequent to the measurement date	4,348	-
Total	\$ 21,894	5,627

\$4,348 reported as deferred outflows of resources related to pensions resulting from the Area contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ 2,693
2017	2,693
2018	2,693
2019	2,692
2020	1,148
	\$ 11,919

# Iowa River Valley Early Childhood Area

## Notes to Financial Statements (Continued)

### June 30, 2015

### (3) Pension Plan (continued)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100 %</u>	

# Iowa River Valley Early Childhood Area

## Notes to Financial Statements (Continued)

### June 30, 2015

#### (3) Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Area will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Area's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Area's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Area's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Area's proportionate share of the net pension liability:	\$ 27,880	14,756	3,677

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

#### (4) Risk Management

The Area is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2015

**(4) Risk Management (continued)**

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Area's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Area's contribution to the Pool for the year ended June 30, 2015 was \$1,164.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions.

However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.



Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2015

**(5) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position June 30, 2014, as previously reported	\$ 38,210
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>2,174</u>
Net position July 1, 2014, as restated	<u><u>\$ 40,384</u></u>

**(6) Date of Management Evaluation**

Management has evaluated subsequent events through October 19, 2015, the date on which the financial statements were available to be issued.

### **Required Supplementary Information**

**Iowa River Valley Early Childhood Area**  
**Schedule of the Area's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employees' Retirement System**  
**Last Fiscal Year\***  
**Required Supplementary Information**

	<u>2015</u>
Area's proportion of the net pension liability	0.0003721 %
Area's proportionate share of the net pension liability	\$ 14,756
Area's covered-employee payroll	\$ 24,346
Area's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

\* The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Area will present information for those years for which information is available.

Iowa River Valley Early Childhood Area  
Schedule of Area Contributions  
Iowa Public Employees' Retirement System  
Last 2 Fiscal Years\*  
Required Supplementary Information

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 4,348	2,174
Contributions in relation to the statutorily required contribution	<u>(4,348)</u>	<u>(2,174)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>
Area's covered-employee payroll	\$ 48,693	24,346
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

\* The Area was formed on July 1, 2012 and had no employees until July 1, 2013.

# Iowa River Valley Early Childhood Area

## Notes to Required Supplementary Information – Pension Liability

### Year ended June 30, 2015

#### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 30 year period.

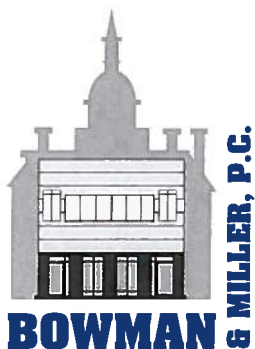
The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments for one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Members of the Iowa River Valley  
Early Childhood Area Board:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Iowa River Valley Early Childhood Area as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Area's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Iowa River Valley Early Childhood Area's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa River Valley Early Childhood Area's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa River Valley Early Childhood Area's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Area's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa River Valley Early Childhood Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Area's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Iowa River Valley Early Childhood Area. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute a legal interpretation of those statutes.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Area's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Area's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa River Valley Early Childhood Area during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman & Miller, P.C.*

Marshalltown, Iowa  
October 19, 2015



Iowa River Valley Early Childhood Area  
Schedule of Findings  
For Year Ended June 30, 2015

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over financial reporting were noted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**Part II: Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures for travel expenses of spouses of Area official or employees were noted.

## Iowa River Valley Early Childhood Area Audit Staff

This audit was performed by:

Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, Iowa

### Personnel:

Elizabeth A. Miller, CPA, Principal  
Nathan Minkel, CPA, Principal